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## THE CURTAIN OF HAZE

by Bertrand de Jouvenel

There is a bleakness about the prospect at this year-end; depressing to some, invigorating to others. The pessimist points to the worsening of international relations, to the spiralling of prices and wages in all countries, to the manifest weakness of true liberalism on the European Continent. His sighs testify to mental cowardice. Those ills are no novelty: they are merely the expression, at long last manifest, of problems which until now have not been faced.

During the last years of the war and the first of the post-war period a curtain of haze settled down between truth and Western opinion. Now this curtain is breaking up. That should be regarded as a most promising development. There is practically no situation that cannot be dealt with, if truly ascertained. But till now we have been fumbling around in a mist of fallacies.

The chief fallacies can be listed under three heads. Oriental democracy, post-Keynesian economics and "it can't happen here".

II

Fallacy number one was of course the distortion of Stalinist despotism into what was called democracy. This great father-lie, from which so many others have sprung, was built up -- strangely enough -- far less by the Soviets than by Allied propaganda.

The stentorian mouthpieces, whose office it was to make clear what we fought for, in fact confused the notion of "peace-loving nations" to bring in the aggressor against Finland, against the Baltic republics and against Poland. Our propagandists confused the notion of "freedom-loving" to apply that description to a regime which started its existence by forceful overthrow of a freely elected parliament; which went on to set up its political police and concentration camps as a model for Fascist States to come.

Such is the fascination of expediency that the very men who now stand out as the most violent accusers of Stalinism and its works -- Churchill and de Gaulle -- can be found on record to have been the most effective whitewashers of "oriental democracy" and its agents.

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It was Mr. Churchill who raised Tito from bandit status and thus paved the way for the legal murder of Mihailovitch. It was General de Gaulle who acquitted Communism of the discredit incurred for its defeatist and sabotage activities in 1939-40. Then shrunken to less than forty thousand members, the French Communist Party blossomed forth as soon as it held from the General its warrant of patriotism; a warrant finally capped by the recall of Thorez, the war deserter, to sit at the government board with de Gaulle.

Those were the days when it was not meet to recall Blum's judgment on Stalin's behavior in August, 1939: "Had he then signed the tripartite agreement with England and France, he had made war almost impossible. By signing with Hitler, he made war almost inevitable. He is responsible for the war." Nor was it permissible to mention that the brave stand of the Polish army was broken by the surprise attack made by the Russians on its rear. Nor, again, could one quote the strange declaration which went with the Act of Partition of Poland on the 28th of September, 1939.

This declaration, signed by Molotov and Ribbentrop, stated that the disappearance of Poland had liquidated the reason for the war, had created a solid basis for peace, and went on to say that were peace on those terms declined, the allied governments of Hitler's Reich and Stalin's Russia would look upon France and England as responsible! Again, during the effort to bring the U.S.S.R. into the United Nations, it was convenient to forget that government's expulsion from the League of Nations in December, 1939, when Russia was branded as guilty of an "unprovoked aggression" against Finland.

While it was very much to our benefit that the gangsters should ultimately have fought each other, that did not make one of them an honest man. We insisted on delivering to him a certificate of good conduct. One would have thought it to the advantage of the pirate to sail as long as possible under the honorable colors we so thoughtfully provided. But Moscow went out of its way to open our eyes, even to the needless murder of Petkov. Thus it finally disappointed expectations never based on anything more substantial than wishful thinking.

Now we know that there is not "one world", attended by three or five guardian angels, but that a savage imperialism spreads out in Europe and Asia, as far as it can go until it comes up against American sentries. Now we can concentrate on organizing "our world", and even benefit from the advantage of an outer menace, always a helpful ingredient in any process of federation; not forgetting, however, that over a hundred million Europeans groan under foreign despotism, a situation which it would be immoral to condone.

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III

Another instance of misty-mindedness is all this talk about high prices. The obvious is now being discovered: to wit that the dollar has depreciated just as a share in a company depreciates when the capital of that company has been watered. Strangely enough Government tends to blame the producers for high prices, while of course the Government itself has created the surplus dollars. Producers are only racing to match these surplus dollars with goods. The thing to be wondered at is not that prices are high, because of Government inflation, but that free American enterprise has so quickly and effectively counteracted this inflation by enormous increase in production.

The real trouble lies in those countries where Government has not only issued fiat money and inflated incomes all round, but at the same time has paralyzed enterprise and made it incapable of bringing out the goods to mop up the dollars.

Inflation, which is merely the creation of buying power unmatched by the production of goods, is a phenomenon perfectly expounded in all the older text books of political economy. A student of Ricardo or Bastiat knew all about it. Now the more "advanced" economists of today have got to learn it all over again. Government may well increase money incomes, but it rests with production to increase real incomes. And if Government for its needs creates income which has no counterpart in market goods, the only possible result is soaring prices.

The advent of Keynes changed nothing of this. He merely explored the depression situation wherein unused resources were such that an increase in income might bring about a corresponding increase in activity. But, in a situation of full employment, more personal income means only higher prices and greater strains on the whole fabric.

It is always possible to introduce controls. They result in a black market and, where civic discipline discourages the black market, they result in diverting the stream of purchasing power from the more essential activities, which are controlled, to the less essential, which remain uncontrolled, as has happened in England.

IV

Not only have we refused till now to recognize in Russia a good old Asiatic despotism; not only have we refused to recognize in the economic situation a good old monetary inflation; in addition we have refused and are in fact still refusing to recognize in the European situation of today the Fascism versus Communism line-up which the Italian story of 1922 and the German story of 1933 should have made familiar.

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When shall we realize that free institutions are not workable under any circumstances but demand certain moral and material conditions?

Is it not natural that the center parties display such weakness on the Continent of Europe? Inflation in Germany wiped out the middle class, the people who had modest savings and looked to the State to conserve their interests. When these people have been despoiled, when it is understood that private property is not to be respected but that whatever faction gains the upper hand can alter the distribution of the national income to suit its partisans, then politics fall to the level of a tug of war between vote-getting machines. Extremists on both sides then resort to violence. The Communist army marches violently to the complete destruction of society, and some Fuehrer or other always arises to rally those who seek the restoration of order.

If one wishes to escape from this alternative, the prerequisites are a return to monetary stability, to the respect of property, to the enforcement of the law. It is a paradox of our times that the task should devolve in Europe upon the Socialists, committed to a policy entirely contrary to their stated ideals.

However vexing the problems of the day, let us rise above them for a moment and take comfort in realizing that in every realm the truth is coming out!

Profitable to some, reassuring to others, falsehood has been disseminated at a formidable expense of energy and cleverness. Only the other day I was admiring the talent which had gone into writing some books on Oriental Democracy and the co-operation of the Big Three for world peace. I thumbed those volumes on a 19-cent counter where I expect to find very soon outstanding works on Deficit Finance and the New Economics. And I remembered that only last spring, when a little group of true liberals assembled from various countries at the Mont Pelerin Conference in Switzerland, it still seemed as though we could not break through the curtain of haze, however much we tried. But now, with 1948, the break-through has come.

Let this stand as proof that there is no multiplier so efficient as the multiplier of truth. It is weakness to complain that those who are able and willing to see the truth are very few. Of them it can be said, as of the five loaves which fed five thousand, "It is enough".

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Not Merely Gossip *A Supplement to* Human Events VOL. IV, NO. 53

By Frank C. Hanighen December 30, 1947

With Henry Wallace's revolutionary bonnet in the ring, speculation about the real strength of his third-party movement is literally intense. Indeed, on December 29, as soon as it was known he would run, the White House secretariat was very busy calling various Democratic Members of Congress, asking the latter for their estimates of how many votes Wallace would draw in their districts. If Democratic Party gloom is any measure of the Wallace potential, then the former Vice-President must have a formidable following. A prominent Western Democratic Senator (who is also anti-Wallace) told us that the leaders of his party on Capitol Hill did not attempt to conceal their worry. And on visiting the White House later in the day, he found the same mood. This Senator guessed that Wallace would poll several million votes.

Curbstone opinions on this matter are not hard to obtain. But we prefer to note that of Mr. Isaac Don Levine, Editor of Plain Talk, who visited Washington in the last few days, because he may justly be regarded as an expert on the Leftist brethren. Mr. Levine thinks that the third-party movement in New York would not attract more than about 150,000 voters -- the hard core of Communists and fellow travellers. He adds, however, that the farther west Wallace goes, the larger his following, with California the state where he will probably roll up the biggest vote.

As for the opening speech and announcement on December 29, Wallace was nothing if not clear in his opposition to the present foreign policy. It may have a wider appeal than the sophisticates care to admit. But, pondering Wallace's gruesome cliches, we could not help recall Dwight McDonald's unsparing description:

"Wallaceland is the mental habitat of Henry Wallace plus a few hundred thousand readers of The New Republic, The Nation and PM. It is a region of perpetual fogs, caused by the warm winds of the liberal Gulf Stream coming in contact with the Soviet glacier. Its natives speak Wallese, a debased provincial dialect."

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The day before Christmas, an event took place which may prove to be the first real step taken to stem the rising tide of inflation. On that date, the Government bond market dropped, in the most sweeping daily price decline since Pearl Harbor. The Federal Reserve temporarily withdrew its buying support, allowing some Government issues to slide to prices near par. Some financial observers believe that this Federal Reserve action was part of a deliberate anti-inflation policy.

These observers look for a resultant contraction of credit throughout the financial system of the country. As Government bond prices drop, the interest rate rises. And the Government interest rate will have its influence on the entire interest rate structure. With higher interest rates, private corporations, and state and municipal authorities will reconsider expansion plans; and the strong inflationary pressure on the credit structure will lessen. Some bankers compare last week's move to a hike in the re-discount rate, the rate at which member banks borrow from the Federal Reserve.

Other observers suggest that a very real and uncomfortable dilemma forced the Federal Reserve's hand. Investors (including banks) in recent months, attracted by higher yields elsewhere in the market, have been selling Federal securities. Undoubtedly with this trend prominently in mind, Mr. Marriner Eccles (of the Federal Reserve) last month told Congress that sales of Federal Government securities by investors "have to be met by Federal Reserve support of prices of marketable bonds so as to protect the two and a half per cent rate on long-term issues." And then he added, "The undesirable aspect of the situation, from the standpoint of inflationary credit conditions, is that support of Government bonds adds to bank reserves". And

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increasing bank reserves, he might well have remarked, adds to inflationary pressures. This highly painful dilemma might indeed have forced last week's action.

Whatever the immediate cause, the effect was to breed uncertainty not only in the security market, but also in the general realm of business. In NMG, (December 17), it was emphasized that in Washington the behind-the-scenes discussion of effective inflationary measures centered on credit contraction rather than price and other controls. The picture of Wall Street on Christmas Eve gave the impression that this is the road which the Government, willy-nilly, has taken, with results which few venture to foretell.

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From Panama last week, there came word which should serve to remind the United States that the "Bad Neighbor" policy of former Assistant Secretary of State Spruille Braden has left a rather large residue of suspicion of "the Colossus of the North". The Panama Assembly unanimously rejected a Panama-United States treaty granting the U.S. the continued use of military and air bases on Panama territory.

Now, Communist agitation against the United States doubtless played a role in creating sentiment which inspired this rejection. Bumbling diplomacy by Ambassador (formerly General) Frank T. Hines was probably a factor. And local commercial and racial frictions were other factors. But all dispatches from the Isthmus stress the rising nationalistic feeling and the decisive part this played in the vote against granting the bases. This nationalism has been increasingly directed at the United States, not only in Panama, but in many other southern republics, ever since Mr. Braden tried his policy of intervention.

The rejected bases treaty was a piece of unilateral negotiation between the United States and a Latin American republic. In 1944, the Chapultepec hemispheric agreement sought to place defense measures in the Americas on a multilateral basis; and the recent Rio de Janeiro agreement on mutual defense carried this hemispheric aspiration further. Those who have for many years advocated a policy of multilateral diplomatic and military agreements see a way out of the present Panama situation. It is believed that the Panama bases can somehow be integrated in the proposed hemispheric defense system. It is urged that a new treaty should be framed on a multilateral basis, with the participation of various republics including Panama, in the manning and operation of the bases. Such a scheme might well prove to be the solution of the present impasse. For it would provide the face-saving desired by Panama politicos. The latter privately would like to lease the bases to the U.S. but fear the aroused nationalism of the electorate.

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The radio announcement of the establishment of a Free Greek Government -- for "Free", read "Communist" -- constituted a move of the first rank in Kremlin strategy. By creation of this puppet government, presumably on Greek soil, the Kremlin seeks to rally new support among the Greek people and to undermine American reconstruction efforts. The new Communist military campaign is regarded as an attempt to capture a town which could serve as the "capital" of the new regime. The new "Government" would then be recognized by its satellite neighbors. In short, Moscow has chosen to sharpen the challenge to the Truman doctrine at this point in the far-flung line of Russo-American conflict.

Experts on the Balkans believe that this move was planned as a preliminary to another of great importance -- the formation of a Balkan Federation. Once a Free Greek Government starts functioning on Greek soil, then a new federated bloc would arise, comprising Yugoslavia, Albania, Bulgaria, Greece and Rumania.

What counter move, if any, will Washington make? It is significant that the first reaction to the new development in Athens was a cry for more U.S. military

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equipment. Our present commitment to Greece expires next June, and last year's appropriation will undoubtedly be exhausted ere then. Already, the State Department is talking of the necessity of further funds to bolster Greek resistance to Communism. State, however, fears that additional requests for money might imperil the future of the Marshall plan on Capitol Hill. But there may be another way to handle the legislators.

On December 29, Greece invoked the attention of the United Nations, and further steps are expected when the Assembly meets after the first of the year. One interpretation is that the State Department has inspired this action of the Greek Government. Would not Lake Success serve as an effective sounding board for Greek appeals for help, and might not Capitol Hill be more influenced by this indirect approach, than by a State Department "please-give-me"?

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We have William Henry Chamberlin to thank for exposing (Wall Street Journal, December 29) various forms of what he calls "semantic blackmail". He points out that "words and phrases can be used in such fashion as to make people deny the plain evidence of their senses". After touching on the current flagrant mis-use of such words as "liberal" and "progressive", he says: "Finally, there is the form of semantic blackmail that consists of announcing, in pompous and self-assured terms, a theory that breaks down as soon as it is subjected to the test of practical experience. Professor Harold J. Laski, of the London School of Economics, is a master of this art of setting down fallacies as incontrovertible truths.

"Writing in a recent issue of the American quarterly Foreign Affairs, he says: 'The market economy, which is the essential condition of an operative capitalist society, has now in terms of technological possibilities reached a stage where it has become an impossible hindrance to our capacity to produce.' It must have required more than a normal ivory-tower isolation from the facts of contemporary life to write this in the face of the fact that the United States which has stuck more closely to the market economy than most other countries, has set production records that are not likely to be equalled anywhere in any near future.

"Equally unconvincing is another sentence in Laski's article: 'Either we go forward to Socialism or we must go back to an industrial feudalism in which the maintenance of a privileged aristocracy of predatory capitalists involves the destruction alike of freedom and democracy.' Now the main economic feature of feudalism was binding the worker to his job. And there is infinitely more danger of this development under a socialist regimented economy than under a free market economy."

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The British Government's new industrial conscription law has aroused much controversy in Parliament and press. Some of the points of dispute may not, ere long, be so very remote from the American scene. Mr. J. H. Huizinga, writing in Time and Tide (December 6) defends a "fundamental freedom, the liberty to live and work as we choose . . ." He says: "Nor does the argument hold that what was universally accepted in the emergency of war should, therefore, be equally justifiable in the emergencies of peace. For, obviously, there are two cardinal differences between then and now. Then we sacrificed our freedom in order to keep it; now it is not for liberty's sake that we renounce liberty but for the sake of our bellies. Then we knew that the emergency which required the sacrifice of liberty would one day be definitely over without any possibility of argument. For a war is either finished or it is not. But now that the emergency, which is invoked to justify this same sacrifice, has become identified with poverty, there is scope for endless arguments over its terminal date. For who shall say when poverty is finished?"

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# Book Events

Books in 1947: A Retrospect, by J. M. Lalley.

Not often, I dare say, has the ratio of books of permanent value to the total issuing from the presses been lower than it was in 1947. If we put aside new editions, reprints, works of scholarship, reference books, bibles, manuals of devotion, textbooks, technical works, and other staples of the trade, it would not be easy to find among the remainder a score of books of much more than mediocre merit. Such is my conclusion after a conscientious review of the publishers' catalogs.

The reasons for this qualitative poverty are many; some economic, some psychological. The publishers had grievously over-extended themselves in the great book boom of the war years, when almost anything that an editor could punctuate or a printer could decipher was pretty sure to find buyers. Today, the steadily rising costs of paper, printing and binding have made it difficult to produce books at a price that will admit them to the popular market. Indeed, this market itself has become less predictable than formerly; the oracles, whose pronouncements on matters of diplomacy, military strategy and political philosophy had commanded an almost universal deference, have fallen into a sudden disfavor. In the field of fiction, readers have apparently lost their taste for the sentimental naturalism that was so fashionable in the 1930s; and, to judge by such examples as The Wayward Bus, the authors have lost their skill at writing it. In the face of these uncertainties, the publishers of fiction are less hospitable than formerly to new talents and more disposed to rely on the well-tested formulas, such as lubricity and murder. The result of all these factors was a succession of novels so meretricious that seasoned reviewers on encountering a work of fiction even slightly above the dismal average were prone to praise it beyond all desserts.

Nevertheless, I can recall a few books, published last year in the United States, which still seem to me to have merits that would have made them notable in any publishing year, including a half dozen books remarkable wholly or mainly on the grounds of artistic merit. None of these latter, unhappily, was really new, none was by an American author, and only one seems to have had any commercial success here. At the top of the list I should certainly put Carlo Levi's Christ Stopped at Eboli, a translation from the Italian. It is not, strictly speaking, a work of fiction, but a profoundly sensitive record of Signor Levi's two years' exile among the poverty-stricken peasants of a remote village in the Lucanian mountains. When the Mountain Fell, an English version of the late Charles-Fernand Ramuz' masterpiece, Derborence, is also about mountaineers, and is an exquisite story of great beauty and emotional sublety. Also in 1947, M. Francois Mauriac, perhaps the greatest of living French novelists, was somewhat belatedly introduced to American readers through The Woman of the Pharisees (La Pharisienne) and by a group of short novels concerning a single character, collected under the title of Therese.

There were, however, important contributions to current history, of which there is room to mention only Pattern for World Revolution, an authentic and invaluable history of the Comintern, The Dark Side of the Moon, a collection of testimonies of Polish prisoners escaped from the Russian slave camps, and the clumsy but candid memoirs of Mr. J. F. Byrnes, called Speaking Frankly. In the field of historical interpretation we have The Meaning of Human History, by the late Morris Raphael Cohen, a penetrating critique of the philosophy of history; also a translation of Max Picard's diagnosis of the modern spiritual sickness, called Hitler in Ourselves, and Mr. Henry Bamford Parkes' illumination of The American Experience. The most astonishing phenomenon of the year was the abrupt and extraordinary popularity of an abridged version of Professor Toynbee's A Study of History, the true explanation of which would afford a fascinating insight into contemporary social psychology.

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